

THE CITY OF KINSLEY, KANSAS

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

VONFELDT, BAUER & VONFELDT, CHTD.

Certified Public Accountants

Larned, Kansas 67550

THE CITY OF KINSLEY, KANSAS
Financial Statements
For the Year Ended December 31, 2011

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VONFELDT, BAUER & VONFELDT, CHTD.

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INDEPENDENT AUDITORS' REPORT

To the City Commission
City of Kinsley, Kansas

We have audited the accompanying primary government financial statements of the City of Kinsley, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Kinsley, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative financial information has been derived from the City's December 31, 2010 financial statements and, in our report dated April 4, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As discussed more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Kinsley, Kansas as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Kinsley, Kansas, as of December 31, 2011 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

The schedules presented as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

April 20, 2012

THE CITY OF KINSLEY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
Governmental Type Funds:		
General Fund	\$ 680,363.30	\$ 0.00
Special Revenue Funds:		
Library Fund	4,633.23	0.00
Library Employee Benefits Fund	296.37	0.00
Recreation Fund	3,993.55	0.00
Special Highway Fund	68,629.58	0.00
Special Parks and Recreation Fund	35,562.04	0.00
Diversion Fund	7,576.80	0.00
Police Drug Forfeiture Fund	1,905.28	0.00
Capital Improvements Fund	0.00	0.00
Debt Service Fund:		
Water System Debt Service Fund	0.00	0.00
Water System Bond Reserve Fund	0.00	0.00
Proprietary Type Funds:		
Enterprise Funds:		
Water Utility Fund	378,680.42	0.00
Sewer Utility Fund	144,021.31	0.00
Sanitation Utility Fund	110,851.75	0.00
Sanitation Reserve Fund	1,622.29	0.00
Total Primary Government (Memorandum Only)	<u>\$ 1,438,135.92</u>	<u>\$ 0.00</u>

The notes to the financial statements are an integral part of this statement.

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 890,159.19	\$ 817,931.30	\$ 752,591.19	\$ 7,830.46	\$ 760,421.65
70,258.08	70,432.01	4,459.30	0.00	4,459.30
14,052.44	13,477.33	871.48	0.00	871.48
14,140.48	13,975.91	4,158.12	0.00	4,158.12
37,826.65	37,311.66	69,144.57	0.00	69,144.57
13,641.97	3,600.00	45,604.01	0.00	45,604.01
1,440.78	500.00	8,517.58	0.00	8,517.58
237.04	144.46	1,997.86	0.00	1,997.86
6,300.00	301,761.80	(295,461.80)	289,261.80	(6,200.00)
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
288,759.51	147,995.37	519,444.56	1,105.75	520,550.31
184,965.67	162,863.97	166,123.01	774.99	166,898.00
109,887.16	94,634.00	126,104.91	820.53	126,925.44
0.00	0.00	1,622.29	0.00	1,622.29
<u>\$ 1,631,668.97</u>	<u>\$ 1,664,627.81</u>	<u>\$ 1,405,177.08</u>	<u>\$ 299,793.53</u>	<u>\$ 1,704,970.61</u>

THE CITY OF KINSLEY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Cash Balances to be Accounted For	<u>\$ 1,704,970.61</u>
Composition of Cash Balance:	
Petty Cash Account:	
Checking Account - Farmers Bank & Trust, Kinsley, Kansas (reconciled)	\$ 1,000.00
Other City Accounts:	
Checking Account - Farmers Bank & Trust, Kinsley, Kansas	1,997.86
Checking Account - Farmers Bank & Trust, Kinsley, Kansas	844.63
NOW Account - Farmers Bank & Trust, Kinsley, Kansas	1,083,053.80
Plus Deposits in Transit	2,013.37
Less Outstanding Checks	(5,863.87)
MMA Account - Farmers Bank & Trust, Kinsley, Kansas	614,551.87
MMA Account - Farmers Bank & Trust, Kinsley, Kansas	<u>7,372.95</u>
Total Primary Government	<u>\$ 1,704,970.61</u>

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits
Governmental Type Funds:		
General Fund	\$ 1,178,392.00	\$ 0.00
Special Revenue Funds:		
Library Fund	76,408.00	0.00
Library Employee Benefits Fund	15,082.00	0.00
Recreation Fund	16,832.00	0.00
Special Highway Fund	102,566.00	0.00
Special Parks and Recreation Fund	42,000.00	0.00
Diversion Fund	16,000.00	0.00
Police Drug Forfeiture Fund	6,000.00	0.00
Debt Service Fund:		
Water System Debt Service Fund	1,000.00	0.00
Proprietary Type Funds:		
Enterprise Funds:		
Water Utility Fund	631,000.00	0.00
Sewer Utility Fund	289,408.00	0.00
Sanitation Utility Fund	139,600.00	0.00

The notes to the financial statements are an integral part of this statement.

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 1,178,392.00	\$ 817,931.30	\$ (360,460.70)
76,408.00	70,432.01	(5,975.99)
15,082.00	13,477.33	(1,604.67)
16,832.00	13,975.91	(2,856.09)
102,566.00	37,311.66	(65,254.34)
42,000.00	3,600.00	(38,400.00)
16,000.00	500.00	(15,500.00)
6,000.00	144.46	(5,855.54)
1,000.00	0.00	(1,000.00)
631,000.00	147,995.37	(483,004.63)
289,408.00	162,863.97	(126,544.03)
139,600.00	94,634.00	(44,966.00)

THE CITY OF KINSLEY, KANSAS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 350,025.56	\$ 354,588.95	\$ 377,558.00	\$ (22,969.05)
Delinquent Tax	19,682.63	25,111.81	5,000.00	20,111.81
Motor Vehicle Tax	73,071.52	74,823.38	74,421.00	402.38
Recreational Vehicle Tax	1,738.78	1,715.28	1,622.00	93.28
16/20M Tax	1,032.17	1,093.54	1,288.00	(194.46)
In Lieu of Taxes	2,016.35	1,898.88	2,000.00	(101.12)
Special Assessments	6,438.38	2,261.25	500.00	1,761.25
Sales Tax	217,130.41	228,806.60	150,000.00	78,806.60
Franchise Tax	147,301.33	129,073.99	122,000.00	7,073.99
Alcohol Liquor Tax	4,046.01	3,937.27	3,555.00	382.27
Licenses & Permits	3,400.00	4,279.23	12,000.00	(7,720.77)
Court Fines & Cost	9,998.20	8,518.50	0.00	8,518.50
Charges for Services	25,215.21	23,074.11	25,000.00	(1,925.89)
Building Rent	810.00	500.00	1,000.00	(500.00)
Tower Rent	0.00	11,089.83	0.00	11,089.83
Reimbursements	2,085.36	3,228.27	500.00	2,728.27
Federal Aid	0.00	13,058.34	0.00	13,058.34
Interest on Idle Funds	4,680.41	2,681.25	1,000.00	1,681.25
Miscellaneous	417.00	418.71	2,334.00	(1,915.29)
Total Cash Receipts	<u>869,089.32</u>	<u>890,159.19</u>	<u>\$ 779,778.00</u>	<u>\$ 110,381.19</u>
Expenditures				
General Government:				
Personal Services	218,216.66	214,671.76	246,000.00	(31,328.24)
Contractual Services	47,184.48	77,672.56	69,500.00	8,172.56
Commodities	3,082.05	7,952.96	17,000.00	(9,047.04)
Capital Outlay	1,288.35	0.00	6,000.00	(6,000.00)
Contributions & Grants	7,700.00	29,466.30	11,500.00	17,966.30
Code Enforcement:				
Contractual Services	1,700.57	1,474.74	10,000.00	(8,525.26)
Commodities	167.23	200.80	2,000.00	(1,799.20)
Police Patrol:				
Contractual Services	148,452.00	148,528.50	160,000.00	(11,471.50)
Commodities	0.00	0.00	20,000.00	(20,000.00)

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
GENERAL FUND (Cont'd.)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Expenditures (Cont'd.)				
Fire Department:				
Personal Services	3,660.38	3,650.36	5,000.00	(1,349.64)
Contractual Services	23,930.49	29,114.15	40,000.00	(10,885.85)
Commodities	3,342.45	2,698.91	5,000.00	(2,301.09)
Capital Outlay	0.00	0.00	5,400.00	(5,400.00)
Other	2,764.72	3,846.98	0.00	3,846.98
Principal	5,913.34	5,942.94	6,162.00	(219.06)
Interest	248.70	219.10	0.00	219.10
Street Department:				
Personal Services	112,810.55	116,285.21	135,000.00	(18,714.79)
Contractual Services	41,297.39	85,335.46	56,000.00	29,335.46
Commodities	12,625.68	13,088.16	40,000.00	(26,911.84)
Capital Outlay	23,483.00	11,008.00	25,000.00	(13,992.00)
Airport:				
Contractual Services	3,001.04	4,077.76	8,000.00	(3,922.24)
Commodities	44.30	146.26	2,000.00	(1,853.74)
Service Center:				
Contractual Services	7,490.67	6,863.67	10,000.00	(3,136.33)
Commodities	11,316.83	12,374.71	14,000.00	(1,625.29)
Capital Outlay	0.00	3,697.50	8,000.00	(4,302.50)
Parks Department:				
Personal Services	8,559.52	6,844.60	8,000.00	(1,155.40)
Contractual Services	8,665.07	10,511.42	14,000.00	(3,488.58)
Commodities	7,122.98	12,863.75	10,000.00	2,863.75
Capital Outlay	0.00	4,697.49	16,000.00	(11,302.51)
Appropriations	6,344.32	4,697.25	8,000.00	(3,302.75)
Capital Outlay	0.00	0.00	220,830.00	(220,830.00)
Operating Transfer:				
To Capital Improvements	79,370.20	0.00	0.00	0.00
Total Expenditures	789,782.97	817,931.30	\$ 1,178,392.00	\$ (360,460.70)
Receipts Over (Under) Expenditures	79,306.35	72,227.89		
Unencumbered Cash, Beginning	601,056.95	680,363.30		
Unencumbered Cash, Ending	\$ 680,363.30	\$ 752,591.19		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
LIBRARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 50,426.17	\$ 55,194.23	\$ 58,768.00	\$ (3,573.77)
Delinquent Tax	2,786.29	3,589.66	655.00	2,934.66
Motor Vehicle Tax	10,374.01	10,776.36	10,721.00	55.36
Recreational Vehicle Tax	246.90	246.98	234.00	12.98
16/20M Tax	145.37	155.28	186.00	(30.72)
In Lieu of Taxes	290.48	295.57	0.00	295.57
Total Cash Receipts	<u>64,269.22</u>	<u>70,258.08</u>	<u>\$ 70,564.00</u>	<u>\$ (305.92)</u>
Expenditures				
Appropriation	<u>71,271.00</u>	<u>70,432.01</u>	<u>76,408.00</u>	<u>(5,975.99)</u>
Total Expenditures	<u>71,271.00</u>	<u>70,432.01</u>	<u>\$ 76,408.00</u>	<u>\$ (5,975.99)</u>
Receipts Over (Under) Expenditures	(7,001.78)	(173.93)		
Unencumbered Cash, Beginning	<u>11,635.01</u>	<u>4,633.23</u>		
Unencumbered Cash, Ending	<u>\$ 4,633.23</u>	<u>\$ 4,459.30</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
LIBRARY EMPLOYEE BENEFITS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 10,084.23	\$ 11,039.96	\$ 11,754.00	\$ (714.04)
Delinquent Tax	557.22	717.85	179.00	538.85
Motor Vehicle Tax	2,074.81	2,155.05	2,144.00	11.05
Recreational Vehicle Tax	49.39	49.40	47.00	2.40
16/20M Tax	29.08	31.06	37.00	(5.94)
In Lieu of Taxes	58.09	59.12	0.00	59.12
Total Cash Receipts	<u>12,852.82</u>	<u>14,052.44</u>	<u>\$ 14,161.00</u>	<u>\$ (108.56)</u>
Expenditures				
Appropriation	<u>14,352.26</u>	<u>13,477.33</u>	<u>15,082.00</u>	<u>(1,604.67)</u>
Total Expenditures	<u>14,352.26</u>	<u>13,477.33</u>	<u>\$ 15,082.00</u>	<u>\$ (1,604.67)</u>
Receipts Over (Under) Expenditures	(1,499.44)	575.11		
Unencumbered Cash, Beginning	<u>1,795.81</u>	<u>296.37</u>		
Unencumbered Cash, Ending	<u>\$ 296.37</u>	<u>\$ 871.48</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
RECREATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 10,205.52	\$ 11,127.96	\$ 11,754.00	\$ (626.04)
Delinquent Tax	557.21	717.90	82.00	635.90
Motor Vehicle Tax	2,074.81	2,155.05	2,144.00	11.05
Recreational Vehicle Tax	49.39	49.40	47.00	2.40
16/20M Tax	29.08	31.05	37.00	(5.95)
In Lieu of Taxes	58.09	59.12	0.00	59.12
Total Cash Receipts	<u>12,974.10</u>	<u>14,140.48</u>	<u>\$ 14,064.00</u>	<u>\$ 76.48</u>
Expenditures				
Appropriation	<u>12,863.74</u>	<u>13,975.91</u>	<u>16,832.00</u>	<u>(2,856.09)</u>
Total Expenditures	<u>12,863.74</u>	<u>13,975.91</u>	<u>\$ 16,832.00</u>	<u>\$ (2,856.09)</u>
Receipts Over (Under) Expenditures	110.36	164.57		
Unencumbered Cash, Beginning	<u>3,883.19</u>	<u>3,993.55</u>		
Unencumbered Cash, Ending	<u>\$ 3,993.55</u>	<u>\$ 4,158.12</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
SPECIAL HIGHWAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
State of Kansas	\$ 38,820.61	\$ 37,826.65	\$ 39,980.00	\$ (2,153.35)
Total Cash Receipts	<u>38,820.61</u>	<u>37,826.65</u>	<u>\$ 39,980.00</u>	<u>\$ (2,153.35)</u>
Expenditures				
Personal Services	236.03	0.00	30,000.00	(30,000.00)
Contractual Services	393.38	393.38	1,000.00	(606.62)
Commodities	38,867.57	36,918.28	40,000.00	(3,081.72)
Capital Outlay	<u>0.00</u>	<u>0.00</u>	<u>31,566.00</u>	<u>(31,566.00)</u>
Total Expenditures	<u>39,496.98</u>	<u>37,311.66</u>	<u>\$ 102,566.00</u>	<u>\$ (65,254.34)</u>
Receipts Over (Under) Expenditures	(676.37)	514.99		
Unencumbered Cash, Beginning	<u>69,305.95</u>	<u>68,629.58</u>		
Unencumbered Cash, Ending	<u>\$ 68,629.58</u>	<u>\$ 69,144.57</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
SPECIAL PARKS & RECREATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Alcohol Liquor Tax	\$ 4,046.00	\$ 3,937.30	\$ 3,555.00	\$ 382.30
Water Surcharge	9,717.55	9,704.67	10,000.00	(295.33)
Total Cash Receipts	<u>13,763.55</u>	<u>13,641.97</u>	<u>\$ 13,555.00</u>	<u>\$ 86.97</u>
Expenditures				
Contractual Services	2,660.70	0.00	0.00	0.00
Commodities	0.00	3,600.00	12,000.00	(8,400.00)
Capital Outlay	0.00	0.00	23,000.00	(23,000.00)
Appropriation	<u>7,000.00</u>	<u>0.00</u>	<u>7,000.00</u>	<u>(7,000.00)</u>
Total Expenditures	<u>9,660.70</u>	<u>3,600.00</u>	<u>\$ 42,000.00</u>	<u>\$ (38,400.00)</u>
Receipts Over (Under) Expenditures	4,102.85	10,041.97		
Unencumbered Cash, Beginning	<u>31,459.19</u>	<u>35,562.04</u>		
Unencumbered Cash, Ending	<u>\$ 35,562.04</u>	<u>\$ 45,604.01</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
DIVERSION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Diversion Fees	\$ 4,072.06	\$ 1,420.14	\$ 6,084.00	\$ (4,663.86)
Interest on Idle Funds	48.18	20.64	0.00	20.64
Total Cash Receipts	<u>4,120.24</u>	<u>1,440.78</u>	<u>\$ 6,084.00</u>	<u>\$ (4,643.22)</u>
Expenditures				
Contractual Services	3,355.10	0.00	5,000.00	(5,000.00)
Commodities	205.00	0.00	0.00	0.00
Capital Outlay	0.00	0.00	11,000.00	(11,000.00)
Other	900.00	500.00	0.00	500.00
Total Expenditures	<u>4,460.10</u>	<u>500.00</u>	<u>\$ 16,000.00</u>	<u>\$ (15,500.00)</u>
Receipts Over (Under) Expenditures	(339.86)	940.78		
Unencumbered Cash, Beginning	<u>7,916.66</u>	<u>7,576.80</u>		
Unencumbered Cash, Ending	<u>\$ 7,576.80</u>	<u>\$ 8,517.58</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
POLICE DRUG FORFEITURE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Drug Forfeiture Fees	\$ 0.00	\$ 237.04	\$ 2,095.00	\$ (1,857.96)
Total Cash Receipts	0.00	237.04	<u>2,095.00</u>	<u>(1,857.96)</u>
Expenditures				
Commodities	0.00	144.46	0.00	144.46
Capital Outlay	0.00	0.00	6,000.00	(6,000.00)
Total Expenditures	0.00	144.46	<u>6,000.00</u>	<u>(5,855.54)</u>
Receipts Over (Under) Expenditures	0.00	92.58		
Unencumbered Cash, Beginning	<u>1,905.28</u>	<u>1,905.28</u>		
Unencumbered Cash, Ending	<u>\$ 1,905.28</u>	<u>\$ 1,997.86</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
CAPITAL IMPROVEMENTS FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ 0.00	\$ 6,300.00
Operating Transfer:		
From General	<u>79,370.20</u>	<u>0.00</u>
Total Cash Receipts	<u>79,370.20</u>	<u>6,300.00</u>
Expenditures		
Capital Outlay	<u>27,830.00</u>	<u>301,761.80</u>
Total Expenditures	<u>27,830.00</u>	<u>301,761.80</u>
Receipts Over (Under) Expenditures	51,540.20	(295,461.80)
Unencumbered Cash, Beginning	<u>(51,540.20)</u>	<u>0.00</u>
Unencumbered Cash, Ending (See Note 3)	<u>\$ 0.00</u>	<u>\$ (295,461.80)</u>

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
WATER SYSTEM DEBT SERVICE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Operating Transfer:				
From Water Utility	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Interest on Idle Funds	<u>80.64</u>	<u>0.00</u>	<u>600.00</u>	<u>(600.00)</u>
Total Cash Receipts	<u>80.64</u>	<u>0.00</u>	<u>600.00</u>	<u>(600.00)</u>
Expenditures				
Principal Payments	75,000.00	0.00	0.00	0.00
Interest Payments	1,612.50	0.00	0.00	0.00
Commissions	6.25	0.00	0.00	0.00
Cash Basis Reserve	<u>0.00</u>	<u>0.00</u>	<u>1,000.00</u>	<u>(1,000.00)</u>
Total Expenditures	<u>76,618.75</u>	<u>0.00</u>	<u>1,000.00</u>	<u>(1,000.00)</u>
Receipts Over (Under) Expenditures	(76,538.11)	0.00		
Unencumbered Cash, Beginning	<u>76,538.11</u>	<u>0.00</u>		
Unencumbered Cash, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
WATER SYSTEM BOND RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	0.00
Expenditures		
Operating Transfer:		
To Water Utility	65,000.00	0.00
Total Expenditures	65,000.00	0.00
Receipts Over (Under) Expenditures	(65,000.00)	0.00
Unencumbered Cash, Beginning	65,000.00	0.00
Unencumbered Cash, Ending	\$ 0.00	\$ 0.00

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Water Charges	\$ 267,002.35	\$ 283,344.15	\$ 260,000.00	\$ 23,344.15
Water Connection Fees	5,871.45	3,754.67	3,910.00	(155.33)
Miscellaneous	1,248.41	1,660.69	1,000.00	660.69
Operating Transfer:				
From Water System Bond Reserve	65,000.00	0.00	65,000.00	(65,000.00)
Total Cash Receipts	<u>339,122.21</u>	<u>288,759.51</u>	<u>\$ 329,910.00</u>	<u>\$ (41,150.49)</u>
Expenditures				
Production and Distribution:				
Personal Services	81,912.39	86,679.88	100,000.00	(13,320.12)
Contractual Services	54,541.13	24,463.82	30,000.00	(5,536.18)
Commodities	21,328.87	19,881.68	30,000.00	(10,118.32)
Capital Outlay	0.00	0.00	50,000.00	(50,000.00)
Other	1,771.97	2,455.01	0.00	2,455.01
General and Administration:				
Personal Services	2,562.85	10,388.36	10,000.00	388.36
Contractual Services	3,414.32	4,126.62	20,000.00	(15,873.38)
Commodities	0.00	0.00	20,000.00	(20,000.00)
Capital Outlay	0.00	0.00	371,000.00	(371,000.00)
Total Expenditures	<u>165,531.53</u>	<u>147,995.37</u>	<u>\$ 631,000.00</u>	<u>\$ (483,004.63)</u>
Receipts Over (Under) Expenditures	173,590.68	140,764.14		
Unencumbered Cash, Beginning	<u>205,089.74</u>	<u>378,680.42</u>		
Unencumbered Cash, Ending	<u>\$ 378,680.42</u>	<u>\$ 519,444.56</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
SEWER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Sewer Charges	\$ 184,452.16	\$ 184,965.67	\$ 187,000.00	\$ (2,034.33)
Total Cash Receipts	<u>184,452.16</u>	<u>184,965.67</u>	<u>\$ 187,000.00</u>	<u>\$ (2,034.33)</u>
Expenditures				
Collection and Treatment:				
Personal Services	58,701.02	60,621.85	80,000.00	(19,378.15)
Contractual Services	10,082.54	14,911.70	20,000.00	(5,088.30)
Commodities	2,079.29	3,975.76	10,000.00	(6,024.24)
Capital Outlay	0.00	0.00	20,000.00	(20,000.00)
General and Administrative:				
Personal Services	47,875.92	42,298.61	60,000.00	(17,701.39)
Contractual Services	1,168.17	2,011.12	10,000.00	(7,988.88)
Commodities	36.73	0.00	5,000.00	(5,000.00)
Capital Outlay	0.00	0.00	45,500.00	(45,500.00)
Other	9.05	137.11	0.00	137.11
KWPCRF Loan Principal	25,029.57	25,816.57	25,817.00	(0.43)
KWPCRF Loan Interest	12,766.22	12,042.28	13,091.00	(1,048.72)
KWPCRF Loan Fees	<u>1,112.03</u>	<u>1,048.97</u>	<u>0.00</u>	<u>1,048.97</u>
Total Expenditures	<u>158,860.54</u>	<u>162,863.97</u>	<u>\$ 289,408.00</u>	<u>\$ (126,544.03)</u>
Receipts Over (Under) Expenditures	25,591.62	22,101.70		
Unencumbered Cash, Beginning	<u>118,429.69</u>	<u>144,021.31</u>		
Unencumbered Cash, Ending	<u>\$ 144,021.31</u>	<u>\$ 166,123.01</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
SANITATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Sanitation Charges	\$ 107,966.80	\$ 108,647.16	\$ 110,000.00	\$ (1,352.84)
Reimbursements	0.00	1,240.00	0.00	1,240.00
Total Cash Receipts	107,966.80	109,887.16	<u>\$ 110,000.00</u>	<u>\$ (112.84)</u>
Expenditures				
Collection and Disposal:				
Personal Services	59,641.53	72,855.86	80,000.00	(7,144.14)
Contractual Services	11,675.05	6,478.17	10,000.00	(3,521.83)
Commodities	5,181.29	10,018.68	10,000.00	18.68
Capital Outlay	0.00	0.00	5,000.00	(5,000.00)
General and Administrative:				
Personal Services	4,924.14	4,479.56	10,000.00	(5,520.44)
Contractual Services	343.60	801.73	5,000.00	(4,198.27)
Commodities	0.00	0.00	2,000.00	(2,000.00)
Capital Outlay	0.00	0.00	17,600.00	(17,600.00)
Total Expenditures	81,765.61	94,634.00	<u>\$ 139,600.00</u>	<u>\$ (44,966.00)</u>
Receipts Over (Under) Expenditures	26,201.19	15,253.16		
Unencumbered Cash, Beginning	84,650.56	110,851.75		
Unencumbered Cash, Ending	<u>\$ 110,851.75</u>	<u>\$ 126,104.91</u>		

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
SANITATION RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	<u>0.00</u>	<u>0.00</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	0.00	0.00
Unencumbered Cash, Beginning	<u>1,622.29</u>	<u>1,622.29</u>
Unencumbered Cash, Ending	<u><u>\$ 1,622.29</u></u>	<u><u>\$ 1,622.29</u></u>

The notes to the financial statements are an integral part of this statement.

THE CITY OF KINSLEY, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Kinsley, Kansas is a municipal corporation governed by an elected five-member commission. A primary government is a legal entity or public politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements presented do not include the financial data of the component units of the City of Kinsley.

The Kinsley Library oversees the library activities of the City and is a component unit. The Library can sue and be sued, but acquisition of real property by the Library must be approved by the City. The City levies taxes for the Library and bond issuance must be approved by the City. The financial data of the Library is available at the Library's office.

The Kinsley Recreation Commission oversees the recreational activities of the City and is a component unit. The Recreation Commission can sue and be sued, but acquisition of real property by the Recreation Commission must be approved by the City. The City levies taxes for the Recreation Commission and bond issuances must be approved by the City. The financial data of the Recreation Commission is available at the Recreation Commission's office.

B. FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Kinsley, Kansas for the year ended December 31, 2011:

GOVERNMENTAL FUNDS

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City of Kinsley, Kansas.

PROPRIETARY FUNDS:

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses), including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. BASIS OF ACCOUNTING

Statutory Basis of Accounting: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America: The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash and investments from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts and money market accounts. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Vacation Policy:

Full-time employees earn vacation time at the rate of 6.67 hours per month and may accumulate no more than 120 such hours. Part-time employees who work at least 20 hours per week earn vacation time at the rate of 4 hours per month worked and may accumulate no more than 80 such hours. Employees who have worked for the City at least one year are entitled to be paid for unused vacation leave when two weeks notice is given in the event of separation. The potential liability for unused vacation leave as of December 31, 2011 and 2010 is \$17,717.47 and \$17,570.65, respectively, which is a net change of \$146.82.

Sick Leave Policy:

Full-time employees earn 8 hours of sick leave per month. Part-time employees earn 4 hours of sick leave per month. Employees may accumulate 1,040 hours of sick leave. Employees who retire from City employment and who provide a minimum of two weeks notice of their retirement shall be paid for 1/4 of their accrued but unused sick leave, paid at their regular rate of pay based on the last day of service. No employees were eligible for retirement, therefore, there is no potential liability for unused sick leave as of December 31, 2011.

The costs of accumulated vacation and sick leave are not recorded in the financial statements at the time the benefits are earned by the employee.

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the City's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

I. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records the reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

J. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Note 2 - BUDGETARY INFORMATION (Cont'd.)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits: Cities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, permanent funds, fiduciary funds, and the following special revenue fund:

Capital Improvements Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

The Capital Improvements Fund showed a negative ending unencumbered cash balance of \$295,461.80 for the year ending December 31, 2011. K.S.A. 10-1116 provides that under certain situations, funds can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas. This fund met the criteria under the statutes, and therefore, is not deemed to be in violation of the Kansas cash basis law.

Note 4 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Note 4 - DEPOSITS (Cont'd.)

Concentration of Credit Risk: State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2011.

At December 31, 2011 the City's carrying amount of deposits was \$1,704,970.61 and the bank balance was \$1,713,681.66. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$253,804.58 was covered by federal depository insurance, and \$1,459,877.08 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Note 6 - LONG TERM DEBT

The City of Kinsley entered into a loan agreement effective as of May 6, 2002 with the Kansas Department of Health and Environment, acting on the behalf of the State of Kansas. The loan is in an amount not to exceed \$954,500.00 to pay all or a portion of the sewer project. The interest rate on the loan shall be 3.12% per annum, which shall be assessed on the unpaid principal balance to be set out in the loan repayment schedule which is to be calculated upon completion of the project. The loan repayment schedule requires fixed semiannual payments amortized over a twenty year period. The City of Kinsley shall impose and collect such rates, fees and charges for the use and service furnished by or through the Sewer System as a dedicated source of revenue for repayment of the loan.

The City of Kinsley entered into a loan agreement effective as of December 5, 2011 with the Kansas Department of Health and Environment, acting on the behalf of the State of Kansas. The loan is in an amount not to exceed \$1,168,085.00 to pay all or a portion of the water line replacement project. The interest rate on the loan shall be 2.43% per annum, which shall be assessed on the unpaid principal balance to be set out in the loan repayment schedule which is to be calculated upon completion of the project. The loan repayment schedule requires fixed semiannual payments amortized over a twenty year period. The City of Kinsley shall impose and collect such rates, fees and charges for the use and service furnished by or through the Water System as a dedicated source of revenue for repayment of the loan. Work on the project had not started during the year, therefore, no proceeds from the loan was received during the year ended December 31, 2011.

Note 6 - LONG TERM DEBT (Cont'd.)

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Interest</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
No-Fund Warrants:				
Fire Truck & Refinancing Warrants	0.50%	7/1/2005	77,465.00	1/1/2018
Other Debt:				
KWPCRF Project	3.12%	5/6/2002	575,656.00	3/1/2024

Total Contractual Indebtedness

Compensated Absences

Total Long-Term Debt

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Principal:			
No-Fund Warrants:			
Fire Truck & Refinancing Warrants	\$ 5,972.69	\$ 6,002.59	\$ 6,032.65
Other Debt:			
KWPCRF Project	<u>26,628.33</u>	<u>27,465.62</u>	<u>28,329.23</u>
Total Principal	<u>32,601.02</u>	<u>33,468.21</u>	<u>34,361.88</u>
Interest:			
No-Fund Warrants:			
Fire Truck & Refinancing Warrants	189.35	159.45	129.39
Other Debt:			
KWPCRF Project	<u>11,295.56</u>	<u>10,525.36</u>	<u>9,730.95</u>
Total Interest	<u>11,484.91</u>	<u>10,684.81</u>	<u>9,860.34</u>
Total Principal and Interest	<u>\$ 44,085.93</u>	<u>\$ 44,153.02</u>	<u>\$ 44,222.22</u>

Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
45,304.05	0.00	5,942.94		39,361.11	219.10
<u>425,995.56</u>	<u>0.00</u>	<u>25,816.57</u>		<u>400,178.99</u>	<u>12,042.28</u>
471,299.61	0.00	31,759.51		439,540.10	12,261.38
<u>17,570.65</u>			<u>\$ 146.82</u>	<u>17,717.47</u>	
<u>\$ 488,870.26</u>	<u>\$ 0.00</u>	<u>\$ 31,759.51</u>	<u>\$ 146.82</u>	<u>\$ 457,257.57</u>	<u>\$ 12,261.38</u>

12/31/2015	12/31/2016	12/31/2017 - 12/13/2021	12/31/2022 - 12/31/2026	Total
\$ 6,062.85	\$ 6,093.19	\$ 9,197.14	\$ 0.00	\$ 39,361.11
<u>29,220.01</u>	<u>30,138.77</u>	<u>165,519.02</u>	<u>92,878.01</u>	<u>400,178.99</u>
<u>35,282.86</u>	<u>36,231.96</u>	<u>174,716.16</u>	<u>92,878.01</u>	<u>439,540.10</u>
99.19	68.85	45.92	0.00	692.15
<u>8,911.56</u>	<u>8,066.41</u>	<u>26,694.80</u>	<u>4,039.67</u>	<u>79,264.31</u>
<u>9,010.75</u>	<u>8,135.26</u>	<u>26,740.72</u>	<u>4,039.67</u>	<u>79,956.46</u>
<u>\$ 44,293.61</u>	<u>\$ 44,367.22</u>	<u>\$ 201,456.88</u>	<u>\$ 96,917.68</u>	<u>\$ 519,496.56</u>

Note 7 - DEFINED BENEFIT PENSION PLAN

Plan description. The City of Kinsley contributes to the Kansas Public Employees Retirement System (KPERS) a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 is 6.74%. The City of Kinsley employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$26,871.89, \$23,627.09, and \$20,072.77, respectively, equal to the required contributions for each year.

Note 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The City pays an annual premium to the Kansas Municipal Insurance Trust for its workers compensation insurance coverage. The agreement to participate provides that the Kansas Municipal Trust will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Kansas Municipal Insurance Trust's management.

The City continues to carry commercial insurance for all other risks of loss, including equipment, property and building coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - OTHER POST EMPLOYMENT BENEFITS

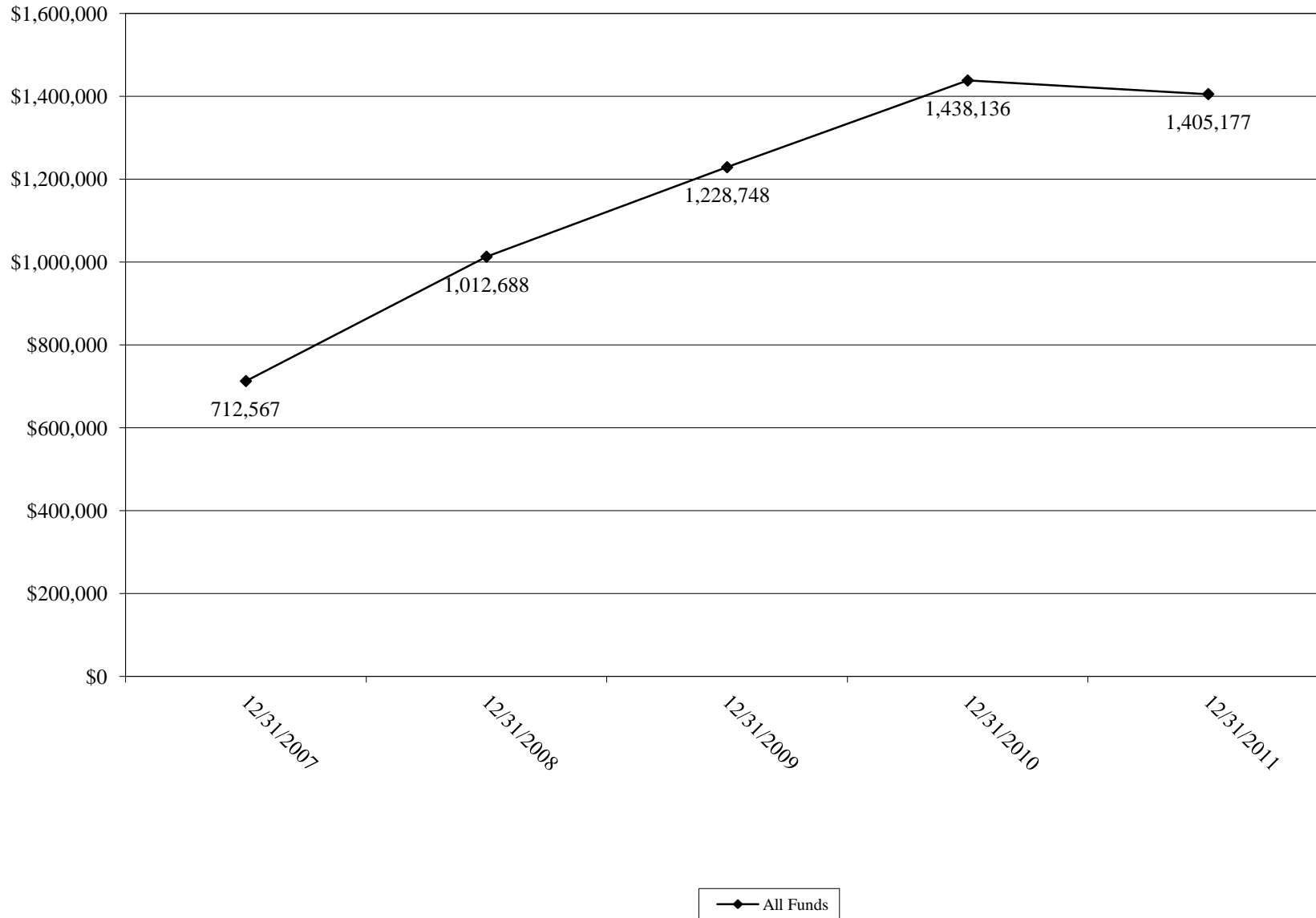
As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

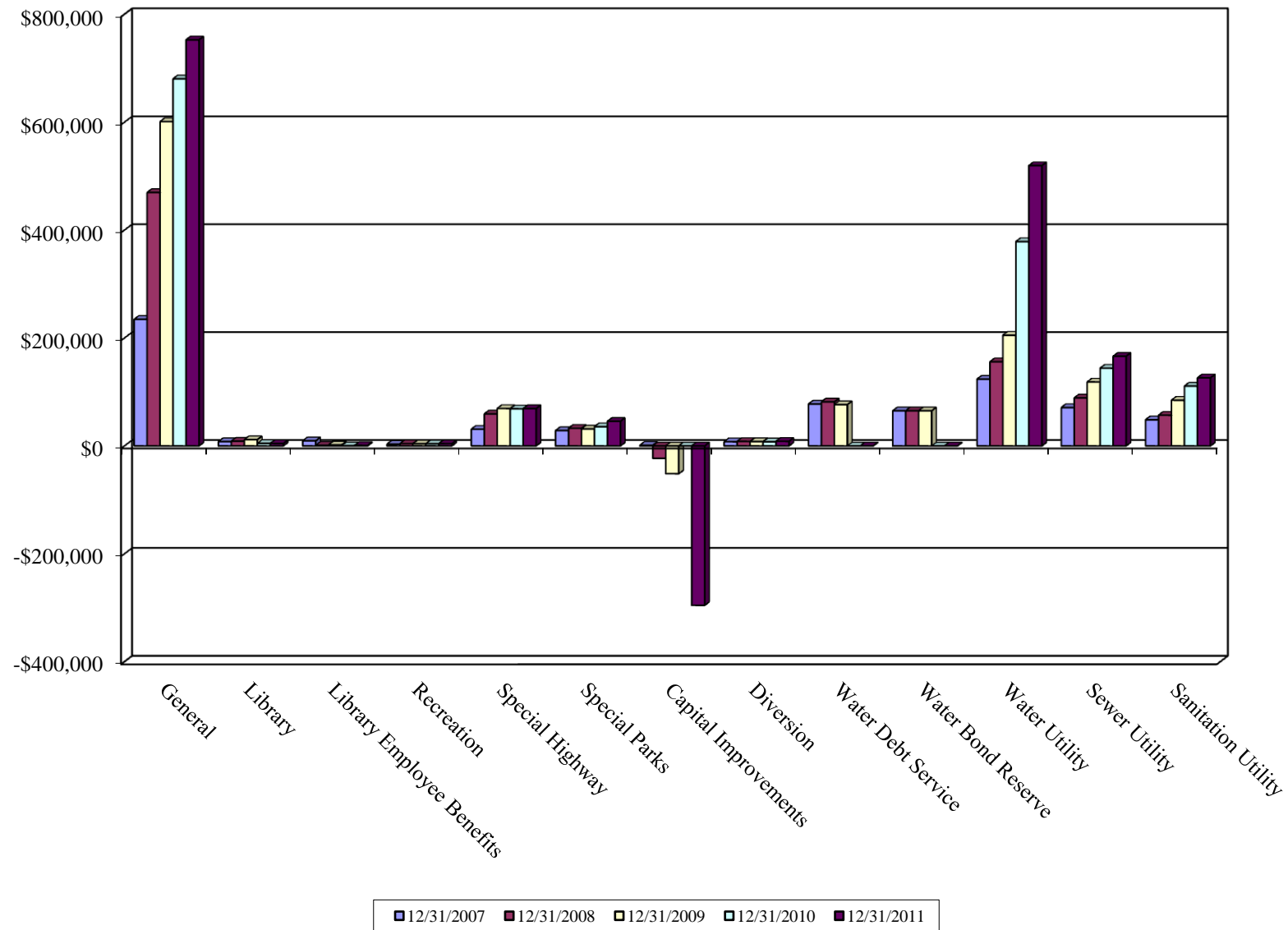
Note 10 - SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through April 20, 2012, and does not believe any events have occurred which effect the financial statements as presented.

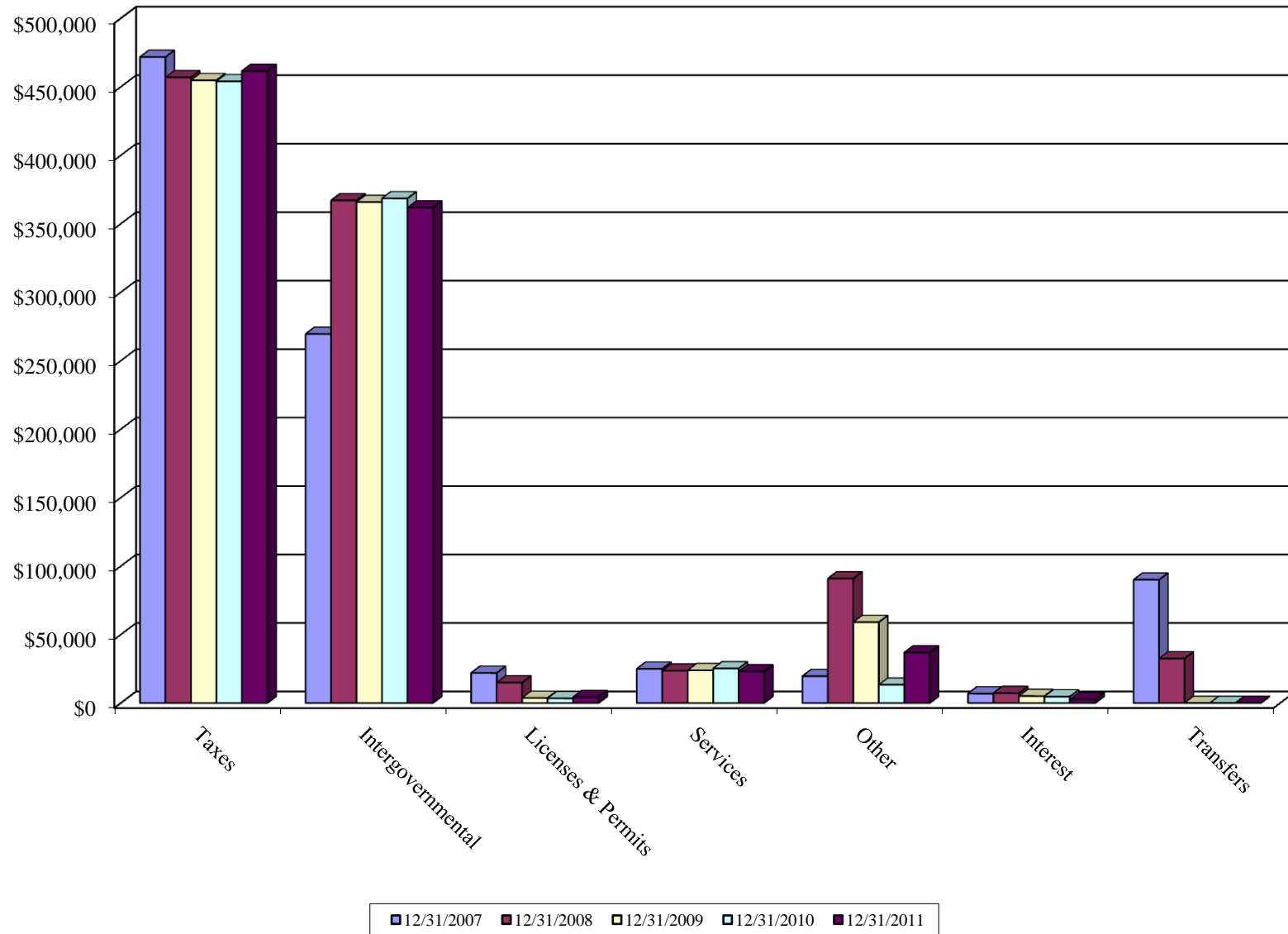
City of Kinsley, Kansas
Unencumbered Cash Balances
All Funds



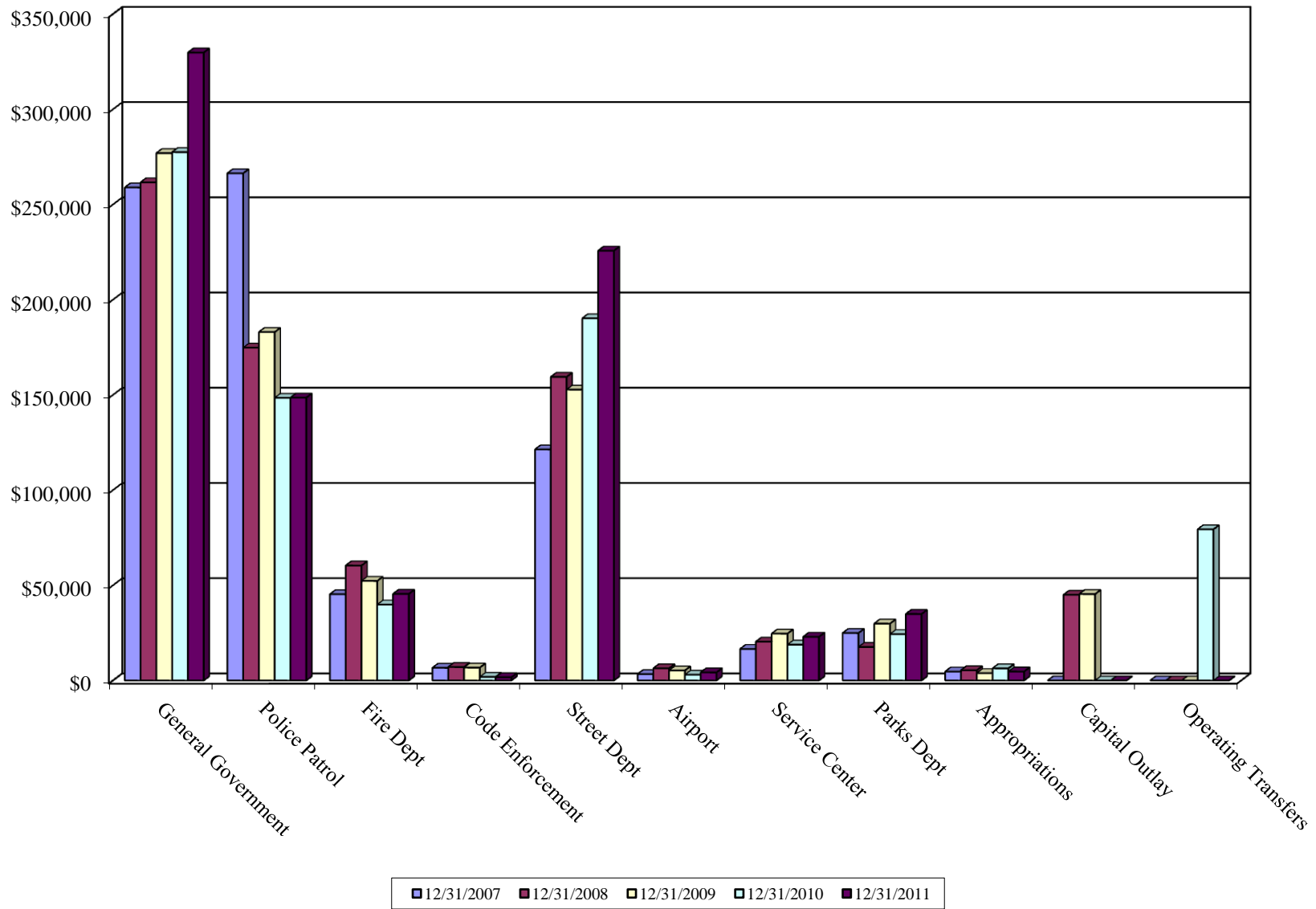
City of Kinsley, Kansas Unencumbered Cash Balances Selected Funds



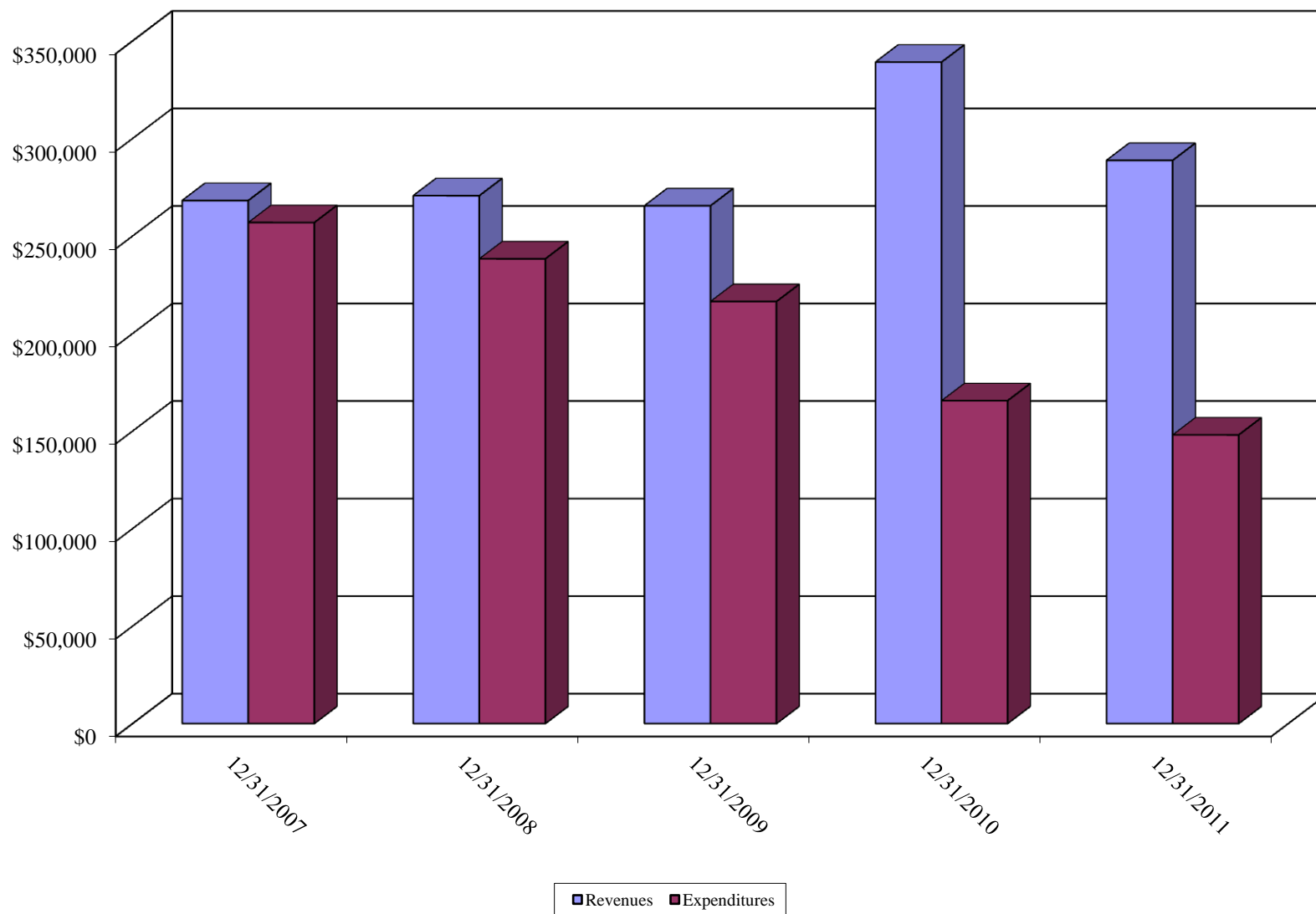
City of Kinsley, Kansas General Fund Revenues



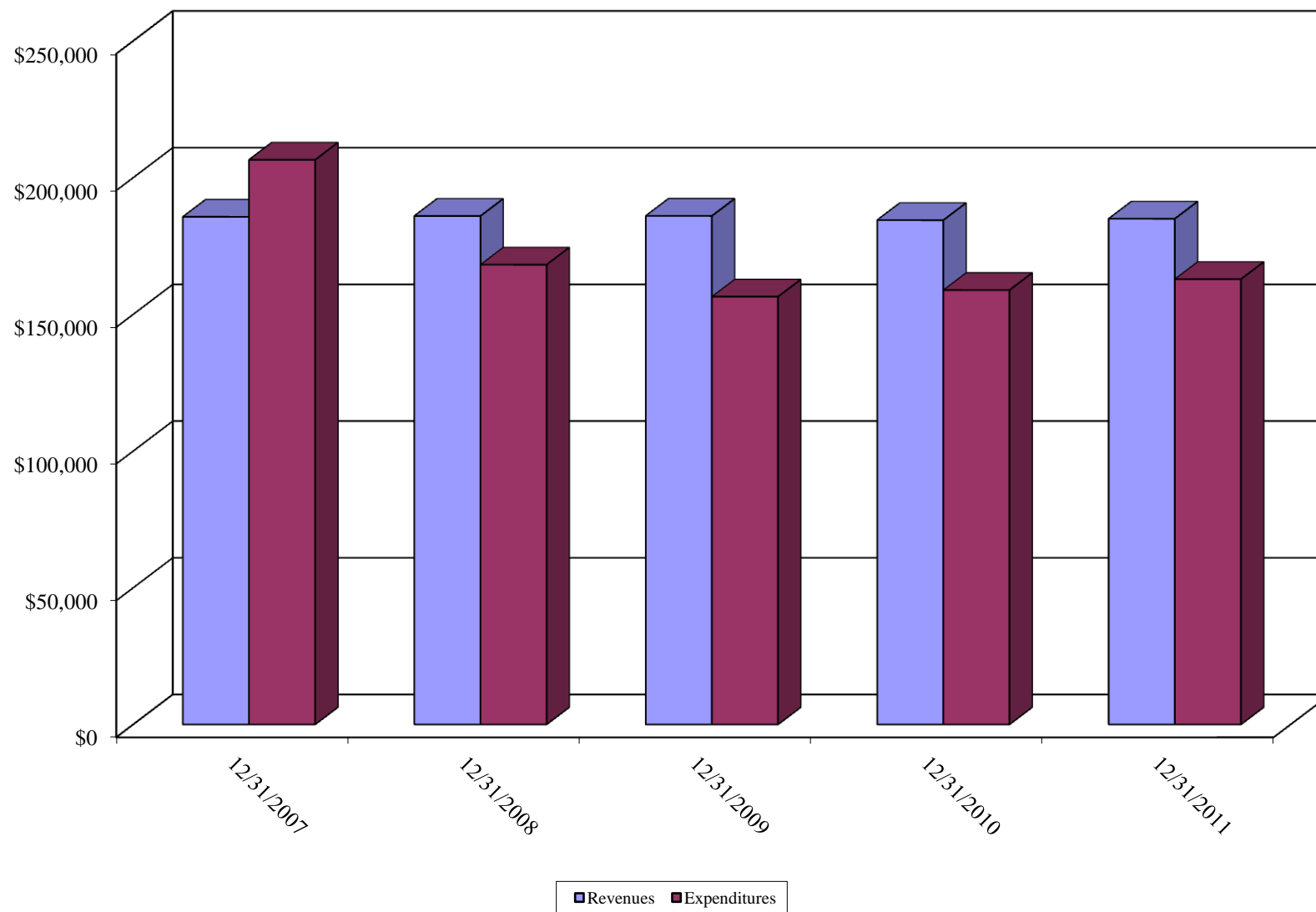
City of Kinsley, Kansas General Fund Expenditures



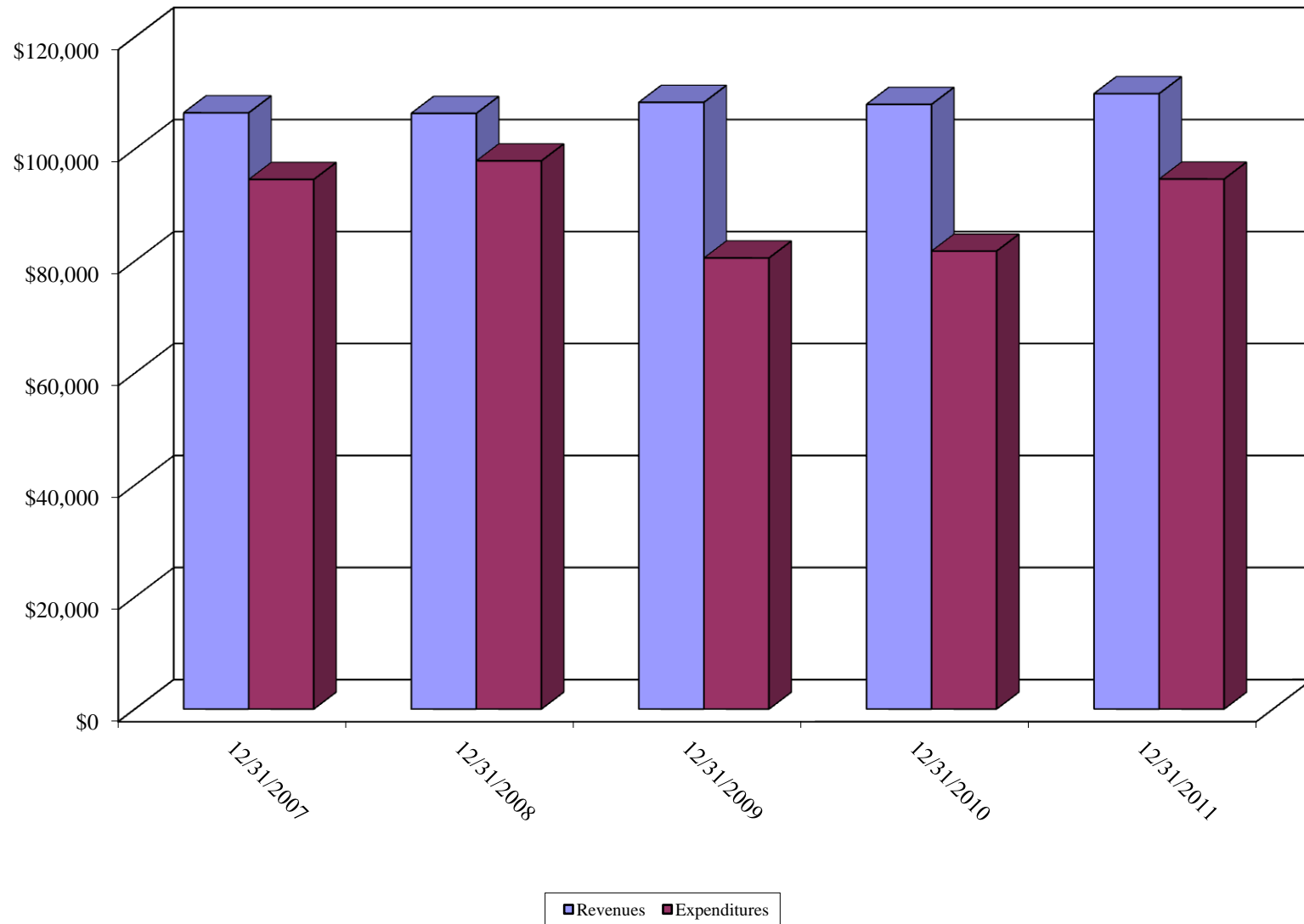
**City of Kinsley, Kansas
Water Utility Fund
Revenue vs. Expenditures**



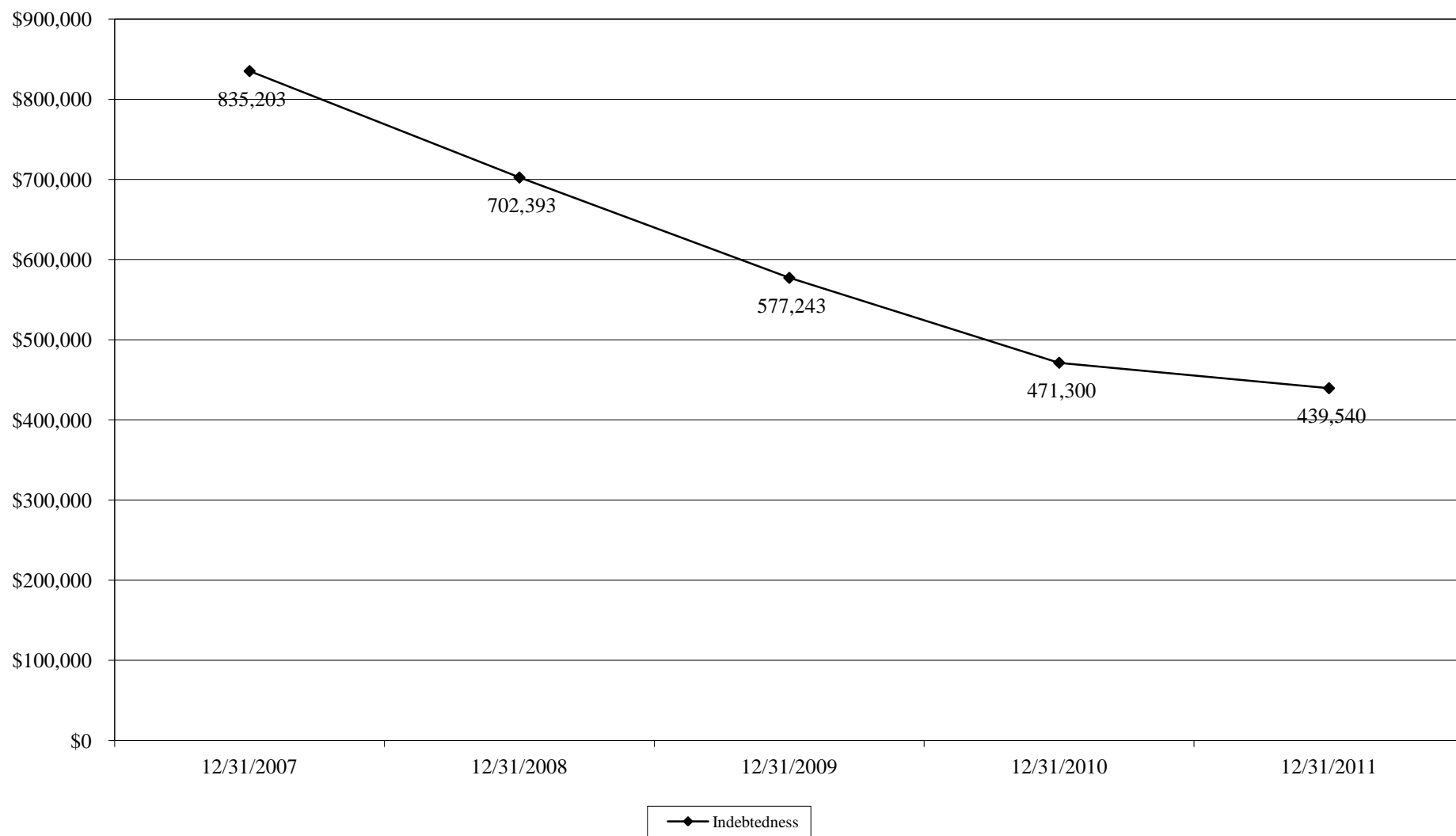
**City of Kinsley, Kansas
Sewer Utility Fund
Revenue vs. Expenditures**



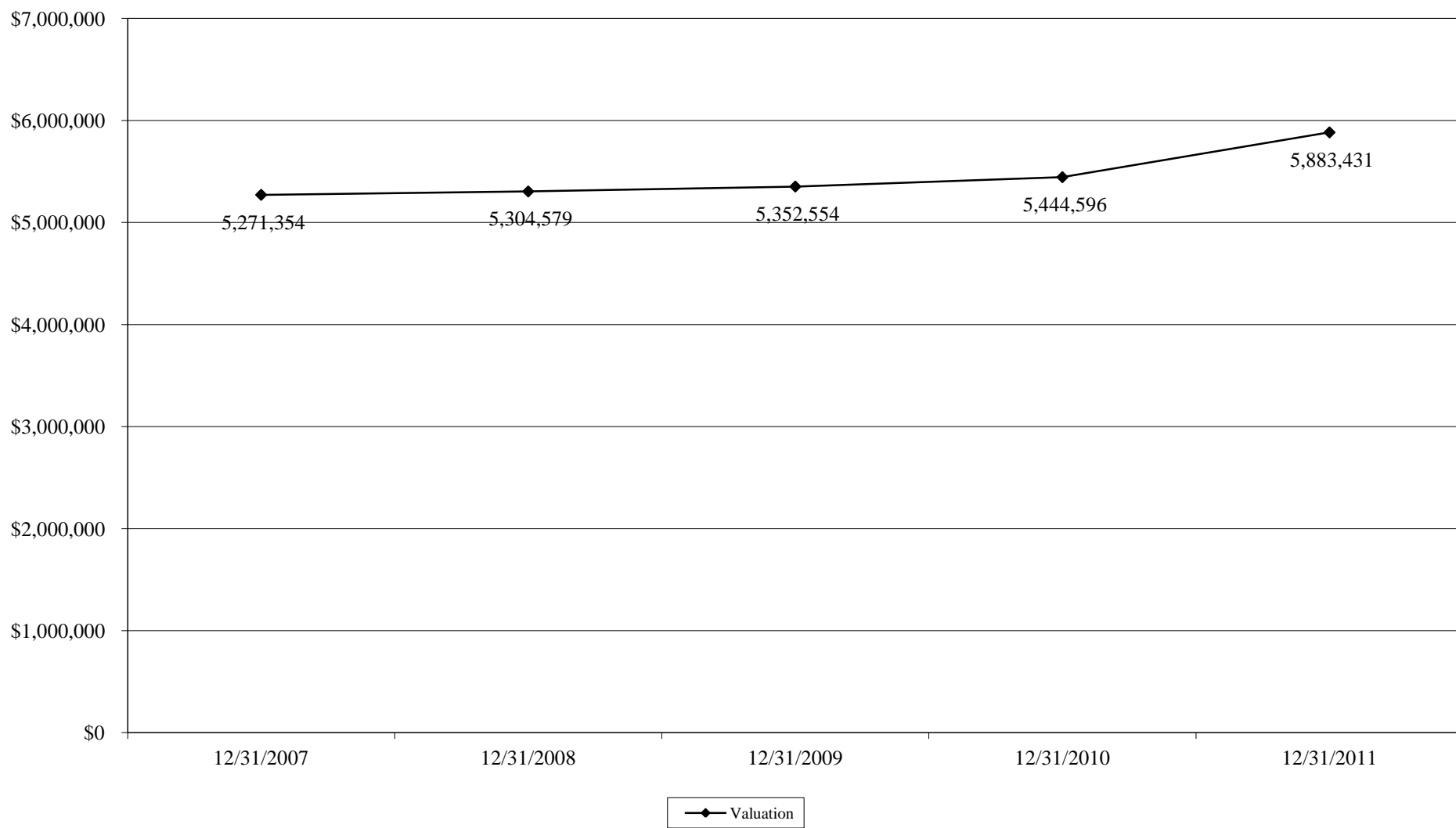
**City of Kinsley, Kansas
Sanitation Fund
Revenue vs. Expenditures**



City of Kinsley, Kansas Indebtedness



City of Kinsley, Kansas Valuation



City of Kinsley, Kansas Mill Rate

